

Virginia Department of Mines, Minerals & Energy

Virginia Gas and Oil Board

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Minutes and results of hearing, June 20, 2006

Board members present: Ms. Barber, Mr. Ratliff, Ms. Quillen, Mr. Wampler

1. The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for creation and pooling of conventional gas unit Plum Creek #27-06, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1604. Continued from May 2006.

In the Plum Creek #27-06 112.69-acre conventional gas unit, the applicant controls 62.2% of the oil and gas interests, and seeks to pool the remaining 37.8% of the interests. Unleased acreage subject to pooling totals 42.6 net acres in one tract having one owner who is not leased to the applicant. There are no unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

2. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536616, Prater District, Buchanan County, Virginia. Docket Number VGOB-05-1115-1532-01. Continued from May 2006.

In the VC-536616 58.77-acre unit, the applicant controls 99.5% of the coal interests and 0.0% of the gas interests, and seeks to pool the remaining 0.5% of the coal interests and 100% of the gas interests. Unleased coal acreage subject to pooling totals 0.3 net acres in one tract with one unleased owner. Unleased gas acreage totals 58.77 acres in three tracts having one unlocated owner (99.5%) and one owner leased to a third party. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued on 12/16/05. Continued to July.

3. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536474, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-05-1115-1533-01. Continued from May 2006.

In the VC-536474 58.77-acre unit, the operator controls 89.6% of the coal and gas interests, and seeks to pool the remaining 10.4% of the interests. Unleased acreage subject to pooling totals 6.1 net acres in one tract with one owner who is not leased to the applicant. There are no conflicting claimants or unknown owners subject to escrow. The unit was originally pooled in November, 2005. No permit application has been submitted. Continued to July.

4. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536475, Sandlick District, Buchanan County, Virginia. Docket Number VGOB-05-1115-1537-01. Continued from May 2006.

In the VC-536475 58.77-acre unit, the operator controls 42.1% of the coal and gas interests, and seeks to pool the remaining 57.9% of the interests. Unleased acreage subject to pooling totals 34.0 net acres in two tracts with two owners who is not leased to the applicant. There are no conflicting claimants but there are unknown owners subject to escrow. The unit was

originally pooled in November, 2005. No permit application has been submitted. Continued to July.

5. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536622, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1608. Continued from May 2006.

In the VC-536622 58.77-acre unit, the applicant controls 94.1% of the coal interests and 0.0% of the gas interests, and seeks to pool the remaining 5.9% of the coal interests and 100% of the gas interests. Unleased coal acreage subject to pooling totals 3.3 net acres in one tract with one unleased owner. Unleased gas acreage totals 58.77 acres in Two tracts having one unlocated owner (94.6%) and one owner leased to a third party. There are conflicting claimants and unknown owners subject to escrow. A permit application has been submitted. Continued to July.

6. The Virginia Gas and Oil Board heard a petition from Juanita Hunt Przybycki heirs for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 1, Unit EH-18, Clintwood District, Dickenson County, Virginia. Docket Number VGOB-90-0419-0004-01.

The heirs of Juanita Hunt Przybyki were pooled as unknown owners. The unit operator has located the heirs and seeks to disburse funds escrowed on their behalf. Disbursement of funds was approved.

7. The Virginia Gas and Oil Board heard a petition from John Sheffield, Trustee of Oryn Treadway Sheffield, Jr., Trust and Oryn Sheffield, Jr., as Trustee of John Tolman Sheffield Trust requesting escrowing of funds attributable to conflicting interests underlying properties belonging to the Trusts, Big Prater Creek, Hurricane Creek and Russell Fork River areas, Buchanan County, Virginia. Docket Number VGOB-05-1213-1548. Continued from April.

The petitioners claim ownership of coalbed methane interests in 69 tracts of land but have not been included in previous poolings or other actions involving the property. They are requesting that the Board require funds attributable to their claimed interest be placed in escrow. The petition was withdrawn by the applicant.

8. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for modification of the Nora Field Rules to allow for an additional well to be drilled in the O75 unit, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-89-0126-0009-04.

The Nora Field Order currently allows one fraced coalbed methane well in each 60-acre unit, and that well is to be drilled within the drilling window which is 300 feet inside the boundary of the unit. The applicant seeks to modify the order to allow for drilling of more than one frac well in the O75 unit. In May, 2006, the Board approved a similar requests for drilling of multiple wells in each unit for units in another area of the Nora field. Modification of the field rule was approved.

9. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for modification of the Oakwood I field rules to allow for the drilling of an additional well in units B-50 to B-53, C-47 to C-54, D-46 to D-58, E-45 to E-58, F-55 to F-58, G-52 to G-58, H-52 to H-58, I-52 to I-58, J-52 to J-58, K-52 to K-58, L-52 to L-58, M-52 to M-58, N-52 to N-58, O-52 to O-58, P-53 to P-58, Q-55 to Q-58, R-55 to R-58 in the Garden District, Buchanan County and Maiden Spring District, Tazewell County, Virginia. Docket Number VGOB-93-0216-0325-07.

The Oakwood Field Order currently allows one fraced coalbed methane well in each 80-acre unit, and that well is to be drilled within the drilling window which is 300 feet inside the boundary of the unit. The applicant seeks to modify the order to allow for drilling of more than one frac well in each included unit. The Board has previously approved several similar requests for drilling of multiple wells in each unit in other areas of the Oakwood field. Modification of the field rule was

approved.

10. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit B-19, South Grundy District, Buchanan County, Virginia. Docket Number VGOB 01-1120-0972-01.

In the B-19 80-acre unit, the operator controls 92.5% of the coal and gas interests, and seeks to pool the remaining 7.5% of the interests. Unleased acreage subject to pooling totals 6.0 net acres in two tracts with two unleased owner. There are no conflicting claimants or unknown owners subject to escrow. The unit was originally pooled in November, 2001. A permit to drill the unit was issued on 5/5/05. Pooling was approved.

11. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit B-50, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1642.

In the B-50 69.91-acre unit, the operator controls 53.4% of the coal and gas interests, and seeks to pool the remaining 46.6% of the interests. Unleased acreage subject to pooling totals 29.3 net acres in one tract with eight owners who are leased to a third party. There are conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

12. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit D-47, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1643.

In the D-47 80-acre unit, the operator controls 93.1% of the coal and gas interests, and seeks to pool the remaining 6.9% of the interests. Unleased acreage subject to pooling totals 5.5 net acres in one tract with eight owners who are leased to a third party. There are conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

13. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit E-43, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1644

In the E-43 80-acre unit, the operator controls 77.5% of the coal and gas interests, and seeks to pool the remaining 22.5% of the interests. Unleased acreage subject to pooling totals 23.97 net acres in one tract with eight owners who are leased to a third party. There are conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

14. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit H-12, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1645.

In the H-12 80-acre unit, the operator controls 99.99% of the coal and gas interests, and seeks to pool the remaining 0.01% of the interests. Unleased acreage subject to pooling totals 0.01 net acres in one tract with 14 unleased owners. There are no conflicting claimants or unknown owners subject to escrow. A permit to convert a vertical ventilation hole to a producing CBM well was issued 2/18/06. Pooling was approved.

15. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit O-75, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1646.

In the O-75 58.65-acre unit, the applicant controls 100% of the coal interests and 20.6% of the gas interests, and seeks to pool the remaining 79.4% of the gas interests. Unleased gas acreage totals 46.56 acres in five tracts with one unleased owner. There are conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. The petition was withdrawn by the applicant.

16. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit O-76, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1647.

In the O-76 58.65-acre unit, the applicant controls 93.2% of the coal interests and 32.4% of the gas interests, and seeks to pool the remaining 6.8% of the coal interests and 67.6% of the gas interests. Unleased coal acreage subject to pooling totals 4.0 net acres in two tracts with 29 unleased owner. Unleased gas acreage totals 39.6 net acres in five tracts having 47 unleased owners. There are conflicting claimants and unknown owners subject to escrow. A permit application has been submitted. Continued to July.

17. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BK-110, New Garden District, Russell County, Virginia. Docket Number VGOB-06-0620-1648.

In the BK-110 58.74-acre unit, the operator controls 98.5% of the coal and gas interests, and seeks to pool the remaining 1.5% of the interests. Unleased acreage subject to pooling totals 0.9 net acres in three tracts having 54 unleased owners. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued on 3/3/06. Pooling was approved.

18. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BB-49, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-06-0620-1650.

In the BB-49 80-acre unit, the operator controls 96.2% of the coal and gas interests, and seeks to pool the remaining 3.8% of the interests. Unleased acreage subject to pooling totals 3.07 net acres in one tract having two unleased owners. There are no conflicting claimants or unknown owners subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

19. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit I-106, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1651.

In the I-106 70.04-acre unit, the operator controls 74.9% of the coal and gas interests, and seeks to pool the remaining 25.1% of the interests. Unleased acreage subject to pooling totals 17.8 net acres in two tracts having two unleased owners. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill the unit was issued on 9/25/05. Pooling was approved.

20. The Virginia Gas and Oil Board heard a petition from Donald Ratliff (Deceased) and Anna Pearl Ratliff, Bill Ratliff and Geneva Ratliff, Ira Gordon Ratliff, Connie Sue Ratliff, Dianna L. Graham, Jerry Raines and Phyllis Raines, Kyle Robinson, Dewey Rowe, and Earl Whited requesting the board to make a determination as to the formula used by CNX Gas Company, LLC for calculation of post-production costs deducted from royalties paid to applicants under Board orders pooling drilling units in Buchanan County, Virginia. Docket Number 06-0620-1652.

The petitioners were unleased gas owners whose interests were force pooled. Their royalties were escrowed until the Court determined that they were sole owners of the coalbed methane on their tracts. Subsequent to that decision, escrowed funds were disbursed to them. They are questioning the validity of certain post-production costs (mostly transportation costs) that were and are deducted from royalties before payment to gas owners. The unit operator was ordered to present post-production cost information at the September hearing.

21. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-551315, Castlewood District, Russell County, Virginia. Docket Number VGOB-06-0620-1653.

In the VC-551315 58.77-acre unit, the applicant controls 100% of the coal interests and 89.2% of the gas interests, and seeks to pool the remaining 10.6% of the gas interests. Unleased gas acreage totals 6.2 net acres in one tract having 24 unleased owners. There are conflicting claimants and unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

22. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-535916, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-06-0620-1654.

In the VC-535916 58.77-acre unit, the applicant controls 100% of the coal interests and 59.4% of the gas interests, and seeks to pool the remaining 40.6% of the gas interests. Unleased gas acreage totals 23.9 net acres in one tract having one unleased and unknown owner. There are conflicting claimants and unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

23. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of conventional gas unit V-503180, Willis District, Dickenson County, Virginia. Docket Number VGOB-06-0620-1655.

In the V-503180 112.69-acre conventional gas unit, the applicant controls 86.9% of the oil and gas interests, and seeks to pool the remaining 13.1% of the interests. Unleased acreage subject to pooling totals 14.7 net acres in six tracts with three unleased owners and three tracts with four owners who are leased to other operators. There are unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

24. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536598, Kenady District, Dickenson County, Virginia. Docket Number VGOB-06-0620-1656.

In the VC-536598 58.77-acre unit, the applicant controls 100% of the coal interests and 99.5% of the gas interests, and seeks to pool the remaining 0.5% of the gas interests. Unleased gas acreage totals 0.3 net acres in one tract having ten unleased and unknown owners. There are conflicting claimants and unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

25. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-535877, Sand Lick District, Dickenson County, Virginia. Docket Number VGOB-06-0620-1657.

In the VC-535877 58.77-acre unit, the applicant controls 100% of the coal interests and 89.6% of the

gas interests, and seeks to pool the remaining 10.4% of the gas interests. Unleased gas acreage totals 6.1 net acres in two tracts having two unleased owners. There are conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

26. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for pooling of conventional gas unit 825528, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1658.

In the 825528 112.69-acre conventional gas unit, the applicant controls 99.2% of the oil and gas interests, and seeks to pool the remaining 0.8% of the interests. Unleased acreage subject to pooling totals 0.9 net acres in two tracts with eight unleased owners. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

27. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for pooling of conventional gas unit 824731, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1659.

In the 824731 112.69-acre conventional gas unit, the applicant controls 81.7% of the oil and gas interests, and seeks to pool the remaining 18.3% of the interests. Unleased acreage subject to pooling totals 20.7 net acres in five tracts having 36 unleased owners. There are no unknown owners subject to escrow. No permit application has been submitted. Pooling was approved.

28. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for pooling of conventional gas unit 825946, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1660.

In the 825946 112.69-acre conventional gas unit, the applicant controls 95.2% of the oil and gas interests, and seeks to pool the remaining 4.8% of the interests. Unleased acreage subject to pooling totals 5.5 net acres in one tract having eight unleased owners. There are no unknown owners subject to escrow. No permit application has been submitted. Continued to July.

29. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 825945, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1661.

The applicant seeks an exception in order to drill a conventional well closer to three existing wells than allowed under statewide spacing. The proposed well is to be 168 feet closer to existing Chesapeake gas well 24446, 644 feet closer to existing Chesapeake gas well 9518, and 469 feet closer to existing Chesapeake gas well 9688 than the 2500 feet mandated by spacing. The exception is needed to minimize impact on future coal mining operations. No application for permit to drill the unit has been submitted. The location exception was approved.

30. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 825946, Rock Lick District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1662.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 237 feet closer to existing Chesapeake gas well 25415 than the 2500 feet mandated by spacing. The exception is needed to minimize impact on future coal mining operations and to allow use of an existing bench. No application for permit to drill the unit has been submitted. Continued to July.

31. The Virginia Gas and Oil Board heard a petition from Appalachian Energy, Inc. for pooling of coalbed methane

unit AE-157, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1663.

In the AE-157 80.23-acre unit, the operator controls 78.14% of the coal and gas interests, and seeks to pool the remaining 21.9% of the interests. Unleased acreage subject to pooling totals 17.5 net acres in two tracts having 45 unleased owners. There are no conflicting claimants or unknown owners subject to escrow. A permit application has been submitted. Pooling was approved.

32. The Virginia Gas and Oil Board heard a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-164, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0620-1664.

In the AE-164 80.18-acre unit, the operator controls 71.9% of the coal and gas interests, and seeks to pool the remaining 28.1% of the interests. Unleased acreage subject to pooling totals 22.6 net acres in two tracts having 11 unleased owners. There are no conflicting claimants or unknown owners subject to escrow. No permit application has been submitted. Pooling was approved.

33. The Virginia Gas and Oil Board heard a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-175, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0620-1665.

In the AE-175 80.20 acre unit, the operator controls 96.8% of the coal and gas interests, and seeks to pool the remaining 3.2% of the interests. Unleased acreage subject to pooling totals 2.6 net acres in one tract having 39 unleased owners. There are no conflicting claimants or unknown owners subject to escrow. A permit application has been submitted. Pooling was approved.

The Virginia Gas and Oil Board called for public comments regarding Board matters immediately following the final docket item.

The deadline for filing of petitions to the Board for the July 2006 hearing is 5 p.m., Friday, June 16, 2006 with the hearing scheduled for 9 a.m. on Tuesday, July 18, 2006 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.

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